

BEFORE THE IOWA INSURANCE COMMISSIONER

<p>IN THE MATTER OF</p> <p>WELLMARK HEALTH PLAN OF IOWA 2025 INDIVIDUAL HEALTH INSURANCE RATE</p>	<p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p>	<p>Division Case No. 123418</p> <p><b>DECISION AND ORDER</b></p>
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NOW THEREFORE, the Commissioner has taken up for consideration the 2025 pre-ACA individual health insurance rate of Wellmark Health Plan of Iowa (“WHPI”). Being fully informed, the Commissioner enters the following decision and order:

**FINDINGS AND CONCLUSIONS**

1. On June 10, 2024, the Iowa Insurance Division (the “Division”) received an annual individual health insurance premium rate filing (“06/10/24 Rate Filing”) for WHPI plans qualified as “Grandfathered” and “Transitional” under the federal Patient Protection and Affordable Care Act (“ACA”). WHPI proposed an 8.3% base rate increase for all policies in the pre-ACA pool with some plans receiving 5.5% and others receiving 8.6%. The proposed effective date is January 1, 2025, and covers approximately 500 Iowa lives.

2. The standard of rate review for any health insurance rate review requires a determination that the rates are not inadequate, not excessive, and do not unfairly discriminate. Further, the rates must be actuarially sound.

3. For any health insurance rate increase proposal, the review involves analyzing the carrier’s experience (premiums vs. claims), trend (the growth in the cost of the claims caused by unit cost increases along with utilization increases), and other assumptions to determine if the rate increase proposal is actuarially justified. The review employs sophisticated procedures, forecasting models, and scenario testing to gauge the reasonableness of the proposal. The type of

analysis utilized, the procedures and methodology, and overall process have developed over a period of many years. Shortly after the passage of the ACA, an actuarial consulting firm (The INS Companies out of Philadelphia, PA) conducted an in-depth analysis of the Division's rate review process and found it to be thorough, reasonable, and actuarially sound.

4. The proposed rates would cause an average premium increase of \$31 per month, resulting in a 2025 projected average monthly premium of \$407 up from the current average monthly premium of \$376. This is an average based upon all members, all age groups, all benefit plans, all geographic regions, etc.

#### **Actuarial Review**

5. Pursuant to a standing directive of the Governor, and in accordance with Iowa Code § 505.15, whenever any health insurance company that conducts business in Iowa submits a health insurance premium rate increase request to the Division, the Commissioner may utilize an independent, qualified third-party actuary to conduct a secondary review to determine the adequacy and appropriateness of the proposed rate. The Division has standing contracts with several actuarial firms, and selected Magnum Actuarial Group to perform the independent actuarial review. Specific tests and criteria used to determine the validity of the request is outlined in the report. The independent review is performed simultaneously with the statutorily required Division in-house review.

6. The Commissioner reviewed the actuarial reports from Magnum Actuarial Group. The Commissioner also consulted with financial and actuarial staff within the Division prior to issuing this decision and order.

7. The actuarial reviews conducted by the Division and Magnum Actuarial Group reveal WHPI's past loss ratios for these blocks have averaged approximately 93% over the last

seven years. In the absence of a rate increase for calendar year 2025, the Division's projected loss ratio is nearly 100%.

8. With the proposed increase, current loss ratios, and the continuing growth of claims, the Division's projected Federal medical loss ratio is approximately 95% after the 8.3% increase is applied. Furthermore, Magnum Actuarial Group's projected Federal medical loss ratio is over 100% after the 8.3% rate increase is implemented<sup>1</sup>. Both review teams have concluded that the rate increase will continue to generate the 80% Federally mandated medical loss ratio.

9. If approved, WHPI's 06/10/24 Rate Filing will generate rates that are actuarially supported and are actuarially sound.

#### **Public Comment and Rate Impact Considerations**

10. The Commissioner's decision is not limited to actuarial considerations in the record and may be informed by his experience and specialized knowledge of insurance and the market.

11. Iowa Code § 505.19 requires the Commissioner to hold a public hearing on any proposed health insurance rate increase (for individual medical insurance) which exceeds the average annual health spending growth rate as published by the Centers for Medicare & Medicaid Services. The current threshold percentage is 5.6%. A hearing on the proposed rate was scheduled for and held on Thursday, August 8, 2024, at 5:00 p.m. at 1963 Bell Avenue, Des Moines, IA ("08/08/24 Hearing").

12. When the ACA was enacted, it allowed "Grandfathered" plans. When the ACA was implemented, additional "Transitional" plans were allowed by executive action. These are

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<sup>1</sup> Please note the Division makes a clear distinction between 'loss ratio' and 'medical loss ratio.' The term 'medical loss ratio' is a Federal term and allows for the deduction of certain taxes and fees from the premium in the formula. Consequently, the 'medical loss ratio' will always differ (and be higher) than the 'loss ratio'.

closed blocks, meaning that those individuals who choose to keep their plans may do so, but new entrants into the individual health insurance market must join the ACA's individual market.

13. Attached below and incorporated by reference, are two charts that display data pertaining to the Iowa health market; including but not limited to: Grandfathered and Transitional plans combined, ACA compliant plans, and percentage of Iowans covered. The number of covered lives in the WHPI pre-ACA plans before us in this matter is now 500 statewide. Federal law prohibits new participants, and these plans continue the downward trend in covered lives as the plans are under pressure well beyond simple annual increases in the health spending growth rate. This trend is not dissimilar from the trend across all pre-ACA plans. Although the number of Iowa policyholders in ACA compliant individual plans has been increasing in recent years, as nearly all consumers in ACA compliant individual plans are federally subsidized nearly all consumers in these plans are subsidized with total premium subsidies in this market approaching 90% of total premiums in the market. In Grandfather Plans and Transitional Plans, which are not eligible for premium assistance and new covered lives are prohibited by federal law, the number of pre-ACA individual policyholders continues a downward trend.

14. The advance premium tax credit system and its impact that carriers' rates have on the consumer's perception of other carriers' rates continues to evolve and the market continues to be impacted by regulatory and competitive pressures.

15. Prior to the 08/08/24 Hearing, the Consumer Advocate for the Division solicited and received public comments on WHPI's proposed health insurance rate increases. Those comments are also available for review at the Division's website. Access to the 08/08/24 Hearing was available for those who wished to attend in-person and via Zoom, which any Iowan could access online.

16. The written comments and testimony before and during the 08/08/24 Hearing indicate that WHPI's 06/10/24 Rate Filing rate increases are concerning for policyholders. Detailed information about the rate filing and public testimony is also available for public review on the Division's website: [Wellmark Health Plan of Iowa Rate Hearing](#).

**ORDER**

WHPI's 06/10/24 Rate Filing is reasonable and actuarially sound. The Commissioner reviewed the actuarial reports from Magnum Actuarial Group and consulted with financial and actuarial staff within the Division prior to issuing this decision. The continued increase in health costs is concerning and numerous Iowans will be significantly impacted by this decision but is supported by the past and projected experience.

WHPI's 06/10/24 Rate Filing does not propose rates that are inadequate, excessive or unfairly discriminatory.

**THEREFORE**, WHPI's 06/10/24 Rate Filing is approved.

**SO ORDERED** on this 12<sup>th</sup> day of September 2024.



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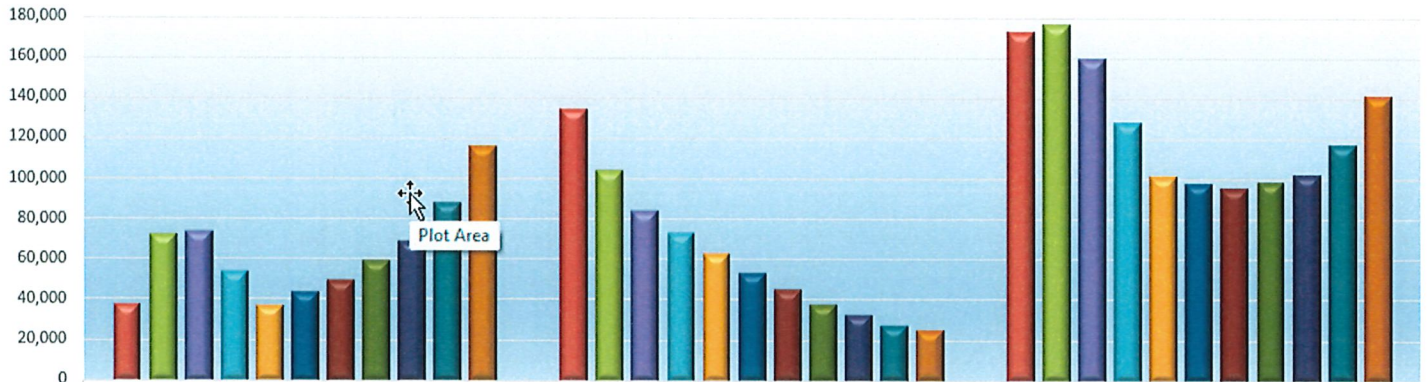
DOUGLAS M. OMMEN  
Iowa Insurance Commissioner

# Iowa Total Health Coverage in 2023

Type of Coverage	Iowa Population 2023	
Employer (self-insured + other types not listed)	1,138,170	35.5%
<b>Medicaid + CHIP</b>	<b>710,281</b>	<b>22.1%</b>
<b>Medicare (Original + Medicare Advantage)</b>	<b>671,606</b>	<b>20.9%</b>
Fully Insured Large Employer Group	288,902	9.0%
Uninsured people	126,000	3.9%
Fully Insured Small Employer Group	133,147	4.2%
Individual Coverage (ACA + pre-ACA)	117,298	3.7%
Other Public [Military, Tricare, VA]	21,600	0.7%
Iowa Population (U.S. Census)	3,207,004	100%

Source: Kaiser Family Foundation (KFF), Centers for Medicare and Medicaid Services (CMS), National Association of Insurance Commissioners (NAIC), U.S. Census, and IID surveys

**Total Iowa Individual Medical Insurance Market Size  
ACA, Transitional, and Grandfathered Business  
[IID Survey July 2024]**



	Total ACA (On + Off)	Grandfathered + Transitional	Total Iowa Individual Medical Market
2014	38,524	134,796	173,320
2015	72,802	104,510	177,312
2016	74,790	85,146	159,936
2017	54,427	73,977	128,404
2018	37,884	63,859	101,743
2019	44,192	54,054	98,246
2020	50,267	45,466	95,733
2021	60,166	38,678	98,844
2022	69,266	33,138	102,404
2023	88,899	28,400	117,299
2024 6M	116,303	25,728	142,031